

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-07 ISO-00 CIAE-00 COME-00 DODE-00

DOT-00 FMC-01 INR-07 NSAE-00 SAL-01 CG-00 DLOS-06

OES-06 IO-13 L-03 FEAE-00 TRSE-00 OMB-01 FRB-03 /068 W

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R 261346Z AUG 76

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 4891

INFO AMEMBASSY BONN

AMEMBASSY MADRID

AMEMBASSY OSLO

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

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E.O. 1L652: N/A

TAGS: EGEN, ENRG, EWWT, UK

SUBJECT: EXCESS TANKER CAPACITY AND THE INTERNATIONAL  
MARITIME INDUSTRY FORUM (IMIF)

REF: (A) LONDON 13123; (B) STATE 198513;  
(C) STATE 210333

SUMMARY: EMBASSY REVIEWED WITH SIR JAMES DUNNETT,  
EXECUTIVE HEAD OF IMIF, AND WITH BRITISH OFFICIALS  
MEASURES BEING TAKEN TO DEAL WITH TANKER PROBLEM BY  
INDUSTRY THROUGH IMIF, MULTILATERALLY THROUGH OECD, AND  
BY INDIVIDUAL GOVERNMENTS, PARTICULARLY NORWAY AND JAPAN.  
IMIF APPEARS TO HAVE DONE ALL THAT IT WILL FOR THE MOMENT  
TO FOCUS ATTENTION ON TANKER PROBLEM AND SUPPORTS  
NORWEGIAN PROPOSAL FOR OECD AD HOC TANKER STUDY GROUP  
REFERRED TO IN REFTEL (C). NORWAY, WITH ITS GUARANTEE  
INSTITUTE APPROACH TO STOP DISTRESS SALES OF TANKERS  
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THROUGH SHIP SUBSIDIES, APPEARS TO BE THE ONLY COUNTRY

WITH A SPECIFIC PROGRAM, BUT JAPAN IS BEGINNING TO CONSIDER EXCESS CAPACITY IN TANKERS A PROBLEM FOR IT. JAPANESE SHIPOWNERS HAVE PROPOSED AN INTERNATIONAL POOL OF EXCESS TANKER TONNAGE FROM WHICH THE MAJOR OIL COMPANIES WOULD AGREE TO TAKE THEIR CHARTER NEEDS. DUNNETT IS TALKING TO THE JAPANESE ABOUT THEIR PROPOSAL THIS WEEK, BUT BOTH HE AND BRITISH OFFICIALS DO NOT BELIEVE THAT ANY INTERNATIONAL REMEDY IS FEASIBLE IN THE SHORT TO MEDIUM TERM AND FORESEE THAT THE TANKER PROBLEM, AS WELL AS THE ATTENDANT OVERSPILL PROBLEM FOR BULK CARRIERS, WILL BE RESOLVED IN THE USUAL COMMERCIAL CONTEXT. DUNNETT BELIEVES THAT A MORE SERIOUS PROBLEM COULD ARISE IF WESTERN BANKS WERE DANGEROUSLY WEAKENED BY DEFAULTS ON TANKER LOANS. WITH REGARD TO HIS OWN ORGANIZATION, HE QUERIES IF THE IMIF HAS ANY CONTINUING ROLE; IF SO, HE WOULD SEE IT AS AN INDUSTRY FORUM OPERATING PARALLEL TO AN OECD GROUP CHARGED WITH MONITORING THE LONG-TERM OUTLOOK FOR SHIPPING AND THE ECONOMIC IMPLICATIONS. END SUMMARY.

1. SIR JAMES DUNNETT SAW THE PRINCIPAL GOAL OF THE IMIF AS STIMULATING GOVERNMENTS, ESPECIALLY WITHIN THE OECD, TO EXAMINE THE TANKER AND RELATED SHIPPING, SHIPBUILDING, OIL COMPANY AND BANKING PROBLEMS WITH A VIEW TO POSSIBLE LONG-TERM COOPERATIVE EFFORTS. HE DOWNPLAYED THE INITIAL THRUST OF THE IMIF EFFORTS AT ACHIEVING AN IMMEDIATE SOLUTION TO THE EXCESS TANKER CAPACITY PROBLEM AND STRESSED THE VALUE OF AN INTER-INDUSTRY FORUM LIKE THE IMIF KEEPING ITS EYE ON LONG-TERM TRENDS IN THE SHIPPING INDUSTRY AND THEIR ECONOMIC IMPLICATIONS. HE BELIEVED THAT IT WAS MUCH MORE IMPORTANT THAT THIS MONITORING OF LONG-TERM TRENDS BE DONE AMONG GOVERNMENTS IN THE OECD, NOT JUST IN THE MARITIME TRANSPORTATION COMMITTEE, BUT IN A GROUP WITH BROADER CONCERNS TO COVER OTHER INTERESTS INCLUDING THE OECD SHIPBUILDING COMMITTEE AND THE IEA. FOR THIS REASON HE HAD WELCOMED THE NORWEGIAN PROPOSAL FOR AN AD HOC TANKER STUDY GROUP IN OECD WHICH HE IMPLIED BY HIS REMARKS HAD VIRTUALLY BEEN AGREED UPON.

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2. DUNNETT SAID THAT HIS DISCUSSIONS WITH THE VARIOUS INDUSTRY GROUPS THROUGH THE IMIF HAD CONVINCED HIM THAT AN INTERNATIONAL SOLUTION TO THE TANKER PROBLEM WAS NOT FEASIBLE. US ANTI-TRUST LAWS WERE JUST ONE OF THE NEGATIVE FACTORS. THE JAPANESE WERE, HOWEVER, PROPOSING A POOL OF EXCESS TANKER TONNAGE. THEY ARGUE THAT IF 80 PERCENT OF THE EXCESS TONNAGE COULD BE POOLED AND THE MAJOR OIL COMPANIES WOULD AGREE ONLY TO CHARTER FROM THE POOL, THAT THE COSTS OF VESSELS LAID UP AND CHARTERED COULD BE COVERED. IMIF HAS SERIOUS RESERVATIONS ABOUT THE PROPOSAL EVEN IF US ANTI-TRUST LAWS WERE NOT A FACTOR AND WILL BE DISCUSSING IT WITH THE JAPANESE LATER THIS WEEK. DUNNETT'S ONLY PRESENT DISQUIET WAS THAT A COMMERCIAL MARKET SOLUTION TO THE TANKER PROBLEM MIGHT HAVE SERIOUS IMPLICATIONS FOR THE ECONOMIES OF OECD COUNTRIES

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IF TANKER LOAN DEFAULTS CAUSED SOME OF THE BANKS INVOLVED TO FAIL. HOWEVER, BOTH THE UK AND US BANKS WITH WHOM HE

HAD SPOKEN SEEMED TO THINK THEY COULD WEATHER ANY LOSSES. HE RETAINED A CERTAIN SKEPTICISM SINCE THE SAME BANKS HAD PROVIDED THE FUNDS TO CREATE THE TANKER EXCESS.

3. DUNNETT SAID THAT HE HAD ONLY AGREED TO HEAD UP THE IMIF UNTIL THE END OF THE YEAR AND WAS UNCERTAIN WHETHER IT DID HAVE A LONGER-TERM ROLE. EMBASSY UNDERSTANDS FROM OTHER SOURCES THAT THE INDUSTRY MEMBERS OF IMIF HAVE PROVIDED IT WITH INADEQUATE FINANCIAL SUPPORT.

4. BRITISH DEPARTMENT OF TRADE OFFICIALS SEE TANKER PROBLEM AS HAVING A SERIOUS IMPACT ON SHIPBUILDING AND AS POSSIBLY CAUSING A FURTHER DETERIORATION IN THE BULK CARRIER MARKET AS SHIPBUILDERS COMPETE FOR BULK CARRIER CONSTRUCTION. THEY SEE NO NEW TANKER ORDERS BEING ORDERED AND ONLY ABOUT 15 MONTHS OF CONSTRUCTION LEFT IN THE PIPELINE, AFTER WHICH THE FALL OFF WILL BE ABRUPT. THEY ARE UNCERTAIN HOW LONG THE TANKER QUOTA WILL TAKE TO WORK ITSELF OFF. THE MOST OPTIMISTIC OBSERVERS PREDICT BY 1980 WHILE PESSIMISTS SEE THE PROBLEM CONTINUING UNTIL BEYOND MID-DECADE. THE BRITISH EXPECT TO SEE A WORLD-WIDE SHUTDOWN OF SHIPYARD CAPACITY. THE SITUATION APPEARS TO LEAD ITSELF TO A FURTHER SHIFT OF SHIPBUILDING TO DEVELOPING COUNTRIES. A DEPARTMENT OF TRADE OFFICIAL NOTED THAT A UK OWNER HAS RECENTLY GONE TO BRAZIL TO BUY 4 NEW SHIPS.

5. WITH REGARD TO THE IMIF, UK OFFICIALS WERE NOT SANGUINE ABOUT THE CHANCES FOR THE IMIF'S SURVIVAL OR THE NEED FOR IT. SIMILARLY, THEY DID NOT SUPPORT THE NORWEGIAN PROPOSAL FOR AN AD HOC OECD TANKER STUDY GROUP BECAUSE THEY WERE SKEPTICAL THAT IT COULD DO ANYTHING BUT PROVIDE A FORUM FOR COUNTRIES SUCH AS NORWAY, SWEDEN AND GREECE TO PUSH FOR ASSISTANCE OR COOPERATION BY OTHER COUNTRIES IN SOLVING THEIR PROBLEMS.

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## Message Attributes

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**Copy:** SINGLE  
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